



February 16, 2021

Docket Number R-1723 and RIN Number 7100-AF94

To Whom it May Concern:

The Federal Reserve Board (Fed) must strengthen CRA exams in order to promote recovery from the COVID-19 pandemic. The Fed has described approaches in its Advance Notice of Proposed Rulemaking (ANPR) on CRA that will make CRA exams more objective. Yet, questions remain about whether the Fed’s approach will make grading tougher. If nearly every bank continues to pass their CRA exams, banks will not engage in serious efforts to help communities of color and low- and moderate-income (LMI) neighborhoods recover from the pandemic.

Vision Street Research is a minority and women-owned business enterprise (MWBE) that works primarily in LMI communities with community partners and small business owners. Since our inception, we have been focused on improving access and opportunity for those residing in LMI communities in Atlanta and now Long Island, NY. In Atlanta, we helped facilitate one-on-ones with unbanked and underbanked residents, which unveiled the emotional trauma suffered by those who have been “kicked out” of the credit economy. On Long Island, we have worked in communities of color, such as Long Beach and Roosevelt providing resources to seed entrepreneurship in the face of the economic downturn caused by Hurricane Sandy. In both cases, these small business programs were funded by bank partner Capital One. The programs were collaborative in nature and included local chambers of commerce, churches, libraries, co-working spaces, and community centers. In partnership with Choice For All, a community-based organization in Roosevelt, we are continuing our work on achieving economic equity in this community. In fact, last summer we co-hosted two virtual town halls about the [economic impact on COVID-19 on Black Long Islanders](#) and [why the CRA is important to Black Long Islanders](#). During these town halls, we not only discussed a policy brief CRA, but also shared results of resident and small business surveys.

For us to continue to support these Minority-Owned Business Enterprises and the economic mobility of the communities we serve (and seek to serve), we need improved access to credit that is not limited by zip code or race. The CRA is one of the significant civil rights laws that were passed in response to discriminatory policies and practices that barred people of color out of banking, credit, housing, employment, and education. It is one of the most important



laws we have that holds banks responsible for local communities. It has managed to assist with affordable housing, small business supports, daycares, schools, and local businesses. The CRA has also fostered affordable mortgages, small business loans and supports, bank branches, and commitments to responsible multifamily lending. With the emergence of COVID-19 the stakes are higher and more should be done to not only protect vulnerable communities, but also improve access to healthier and economically sound living and business options.

NCRC recently released a report finding a strong relationship between redlining and susceptibility to COVID. Redlined neighborhoods have the highest levels of health conditions such as asthma, diabetes and kidney disease, which make residents more susceptible to COVID-19. Life expectancy is almost four years lower in the redlined communities.

Since the start of the pandemic, about 41% of African American businesses have been closed compared to just 17% of White-owned small businesses. Discrimination in lending contributes to these differences in survival rates. A [NCRC investigation](#) found that African Americans applying for Paycheck Protection Program (PPP) loans for their small businesses during the pandemic were likely to receive less information than Whites. CRA must be strengthened in order to combat discrimination. The Fed emphasizes improving the performance measures on CRA exams including those used on the lending test that compare a bank's percent of loans to LMI borrowers to other lenders. The Fed does not describe in detail the impact of its reforms on CRA ratings except to hint that banks may continue to receive the same grades.

Moreover, the Fed is proposing to reduce the number of ratings on a state level and on subtests from five to four. This proposal would result in fewer distinctions in performance whereas new CRA exams must reveal more distinctions in order to motivate banks to be more responsive to COVID-19 recovery needs. Five ratings must be retained on the state level and on subtests. The Fed asks whether underserved areas should be designated based on high levels of poverty or low levels of retail lending. NCRC advocated an approach based on low levels of lending which would effectively target redlined neighborhoods and communities of color.

We also ask the Fed to consider explicitly including race on CRA exams. The agencies have hesitated to do so but we believe that the CRA statute allows this since the law emphasizes banks meeting credit needs in all communities, but particularly underserved ones. CRA exams could include performance measures assessing lending, investing, branching and services to people of color and communities of color. The Fed could also provide CRA consideration for lending and investing in majority minority census tracts outside of assessment areas just as the Fed is considering for Indian reservations and other underserved areas.



In the interest of reaching underserved areas, we strongly support the Fed's proposals to improve data collection including community development financing data, which would better enable stakeholders to determine communities most in need.

We support the Fed's proposals to expand assessment areas, which are geographical areas on CRA exams. In addition to areas around branches, assessment areas must also include areas outside of branches with significant amounts of bank lending or deposit taking.

We do not support expanding financial education to any income since LMI consumers and people of color are most likely to be unbanked as revealed by surveys of the Federal Deposit Insurance Corporation (FDIC). Likewise, the Fed should further develop its procedures for awarding CRA credit for financing affordable housing that is unsubsidized so that such financing actually serves LMI residents.

We appreciate the direction the Fed has embarked upon but caution that it must not end up with proposals that replicate existing CRA ratings inflation as this will not help our communities devastated by COVID-19.

Thank you for your attention to our comments.

**Erika Hill**

Principal

Vision Street Research

[ehill@visionstreetresearch.com](mailto:ehill@visionstreetresearch.com)